AUDITING PROCEDURES REPORT Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local G	Sovernment				Local Govern					ounty	
Audit D		wnship	Village Opinion	Other	TOWNSH	Date Accounta	OTTREL			57.	CLAIR
	3-3/-	04			3-04	Date Accounta	9-22	-04	ate:		
Report	eu iii acc	ordani at for	ce with the Financial	Statements	s of the Gov	/ernmental Ad	ccounting S	Standarde	Board (C/	ISB) a	ncial statements and the <i>Uniform</i> by the Michigan
We affi	irm that:									REC	CEIVED OF TREASURY
1. We	have cor	nplied	with the Bu	ılletin for th	e Audits of L	ocal Units of	Governme	nt in Michi	igan as rev	ised.	2 3 2004
						ctice in Michig					9/22
We furt	her affirm ort of com	the fo	ollowing, "Yes and recom	es" respons imendation	ses have bee s	en disclosed i	in the finan	cial staten	nents, i ndi	MANAPE	HE AGINANGE HV.
You mu	st check t	he ap	plicable box	for each it	em below.						
yes	I ✓ no	1. (Certain com	ponent uni	ts/funds/age	ncies of the lo	ocal unit ar	e excluded	from the	financi	al statements.
yes	I ✓ no	2. T	There are a earnings (P.	accumulate A. 275 of 1	d deficits in 980).	one or mor	e of this	unit's unre	eserved fu	nd ba	lances/retained
yes	I ∕ no	3. T 1	There are in 1968, as am	nstances of ended).	non-compli	ance with the	• Uniform	Accounting	g and Bud	geting	Act (P.A. 2 of
ges	V no	4. T	he local un r its require	it has viola ments, or a	ited the cond an order issu	ditions of eith	er an orde Emergenc	r issued u y Municipa	inder the N al Loan Act	⁄lunicip t.	oal Finance Act
ges	V no	5. T o	he local un f 1943, as a	it holds de amended [N	posits/investi ICL 129.91],	ments which , or P.A. 55 of	do not con f 1982, as a	nply with s amended [statutory re MCL 38.11	quiren 132]).	nents. (P.A. 20
ges	V no	6. T u	he local uni nit.	it has been	delinquent i	n distributing	tax revenu	es that we	ere collecte	ed for a	another taxing
yes	yes of no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).)% funded and
yes	৶ no	8. TI	he local uni 995 (MCL 1:	t uses cred 29.241).	it cards and	has not adop	oted an ap	plicable po	olicy as rec	quired	by P.A. 266 of
ges	no	9. Ti	he local unit	t has not ac	fopted an inv	vestment polic	cy as requi	red by P.A	A. 196 of 19	997 (M	ICL 129.95).
We hav	e enclos	ed th	e followin	ıg:			1 :	Enclosed	To Be Forwarde	ad	Not Required
The lette	r of comn	nents a	and recomn	nendations.	Po	6 30		V	1 Ol Walde	su	Required
Reports	on individ	ual fe	deral financ	ial assistan	ce programs	s (program au	ıdits).				V
Single Au	ıdit Repo	rts (AS	SLGU).								V
Certified I	Public Acc	ountan	t (Firm Name	BERT	-/+/ AM	ne & C	OMPA,	vy C	Op 5		
Street Ad	dress	60	HARRO	****			SAGINI			ZIP	8603
Accounta	nt Signatur					raume				1	

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
GENERAL PURPOSE FINANCIAL STATEMENTS:	
ALL FUND TYPES AND ACCOUNT GROUPS: Combined Balance Sheet	2
ALL GOVERNMENTAL FUND TYPES: Combined Statement of Revenues, Expenditures, and Changes in Fund Balance	3
GENERAL AND SPECIAL REVENUE FUND TYPES: Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget & Actual	4
ALL PROPRIETARY FUND TYPES: Combined Statement of Revenues, Expenses, and Changes in Retained Earnings	5
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION:	
GENERAL FUND: Statement of Revenues Statement of Expenditures and Other Financing Uses	17 18
SPECIAL REVENUE FUNDS:	10
Combining Balance Sheet Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	23 24
ENTERPRISE FUNDS:	
Combining Balance Sheet	25
Retained Earnings	26 27
Balance Sheet Statement of Changes in Assets and Liabilities	28 29
Management Letter	30



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Township Board Township of Cottrellville St. Clair County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Cottrellville, St. Clair County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Cottrellville's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to in the first paragraph do not include the fixed assets of Water Supply System prior to fiscal 1985 construction, which should be included to conform with generally accepted accounting principles. The amount that should be recorded on the balance sheet of the Water Fund is undeterminable.

In our opinion, except for the effect of the above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Cottrellville at March 31, 2004, and the results of its operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Cottrellville, St. Clair County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

July 13, 2004

Bettheume & 6

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

March 31, 2004

	GOVER FUNI	NMEN O TYP		PROPRIETARY FUNDTYPES	FIDUCIARY FUND TYPES Trust &		
	General		Special Revenue	Enterprise			
ASSETS:	General		Печение	Emerprise		Agency	
Cash and cash equivalents Taxes receivable	\$ 1,398,182 6,911	\$	184,081 -	\$ 501,087	\$	1,543	
Accounts receivable Special assessments receivable	212		10 400	117,894		•	
Due from other funds Restricted Assets:	212 1,543		13,488	- -		-	
Cash and cash equivalents Property, plant and equipment			-	84,240 1,057,300		-	
Total assets	\$ 1,406,848	\$	197,569	\$ 1,760,521	\$	1,543	
LIABILITIES & FUND EQUITY:							
Liabilities:							
Accounts payable Due to other governmental units	\$ 19,665 620	\$	599 -	\$ 65,790 -	\$	-	
Due to other funds	-		-	-		1,543	
Deposits payable Deferred revenue	2,775 212		-	-		- -	
Total liabilities	23,272		599	65,790		1,543	
Fund Equity: Contributed capital			_	422,898		_	
Investment in general fixed assets Retained Earnings:	-		-	-		-	
Reserved Unreserved Fund Balances: Unreserved:	-		-	84,240 1,187,593		-	
Designated	10,668		-	-		-	
Undesignated	1,372,908		196,970	-		-	
Total fund equity	1,383,576		196,970	1,694,731		-	
Total liabilities & fund equity	\$ 1,406,848	\$	197,569	\$ 1,760,521	\$	1,543	

	ACCOUNT GROUP General Fixed Assets	Totals (Memorandum Only)
\$	-	\$ 2,084,893 6,911
	-	117,894
	-	13,700
	-	1,543
	- 286,711	84,240 1,344,011
\$	286,711	\$ 3,653,192
\$	- - -	\$ 86,054 620 1,543 2,775
_	<u> </u>	91,204
	286,711	422,898 286,711
	-	84,240 1,187,593
	-	10,668 1,569,878
	286,711	3,561,988
\$	286,711	\$ 3,653,192

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended March 31, 2004

	GOV FU	Totals		
	_		Special	(Memorandum
REVENUES:	General		Revenue	Only)
Property taxes	Ф 05.45			
Licenses and permits	\$ 85,45		-	\$ 85,450
Intergovernmental:	43,96	0	-	43,968
State	261,11	R		261,118
Contributions from local units	201,111	<i>-</i>	14,532	14,532
Charges for services	2,903	3	136,093	138,996
Fines and forfeitures	2:		-	25
Interest and rents	16,843		242	17,085
Other revenue	14,986		14,936	29,922
Total revenues	425,293	3	165,803	591,096
EXPENDITURES:				
General government	142,824	L	_	142,824
Public safety	96,881		-	96,881
Public works	34,592		113,052	147,644
Community and economic development	14,685			14,685
Recreation and culture	20		11,269	11,289
Other	38,900		, -	38,900
Capital outlay	13,664		78,882	92,546
Total expenditures	341,566		203,203	544,769
Excess of revenues over (under) expenditures	83,727		(37,400)	46,327
OTHER FINANCING SOURCES (USES):				
Transfer from other funds			60,683	60,683
Transfer to other funds	(60,683)	-	(60,683)
Total other financing sources (uses)	(60,683)		60,683	- (**,****)
Excess of revenues and other financing sources over (under) expenditures and other				
financing uses	23,044		23,283	46,327
Fund balances, beginning of year	1,360,532		173,687	1,534,219
Fund balances, end of year	\$ 1,383,576	\$	196,970	\$ 1,580,546

The accompanying notes are an integral part of these financial statements.

GENERAL AND SPECIAL REVENUE FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended March 31, 2004

		GENERAL FUND				SPECIAL REVENUE FUND							
		Amended Budget			Actual	F	Variance Favorable nfavorable)		Amended Budget		Actual		Variance Favorable nfavorable)
REVENUES:						-							
Property taxes Licenses and permits Intergovernmental:	\$	78,500 37,000		\$	85,450 43,968	\$	6,950 6,968	\$	-	. 5	5	-	\$ - -
State		306,171			261,118		(45,053)		-			-	-
Contributions from local units		-			-				14,100		14,53	2	432
Charges for services		1,825			2,903		1,078		133,000		136,09		3,093
Fines and forfeitures		300			25		(275)		-		ŕ	-	-
Interest and rents		26,000			16,843		(9,157)		-		24	2	242
Other revenue		16,100			14,986		(1,114)		1,400		14,93	5	13,536
Total revenues		465,896			425,293		(40,603)		148,500		165,80	3	17,303
EXPENDITURES:													
General government		155,746			142,824		12,922		-			_	_
Public safety		116,977			96,881		20,096		_			_	
Public works		72,922			34,592		38,330		136,225		113,052	,	23,173
Community and economic developmen	ıt	14,583			14,685		(102)		-		115,052	-	23,173
Recreation and culture		· •			20		(20)		11,269		11,269)	_
Other		61,494			38,900		22,594		_		,,		_
Capital outlay		13,688			13,664		24		93,731		78,882		14,849
Total expenditures		435,410			341,566		93,844		241,225		203,203		38,022
Excess of revenues over (under) expenditures		30,486			83,727		53,241		(92,725)		(37,400)	55,325
OTHER FINANCING SOURCES (USES):													
Transfer from other funds Transfer to other funds	-	- (105,000)			- (60,683)		44,317		105,000		60,683 -		(44,317)
Total other financing sources (uses)		(105,000)			(60,683)		44,317		105,000		60,683		(44,317)
Excess of revenues and other financing sources over (under) expenditures and other financing uses		(74,514)			23,044		97,558		12,275		23,283		11,008
Fund balances, beginning of year	1,	360,532		1,:	360,532		-	1	173,687		173,687		-
Fund balances, end of year			\$			\$	97,558 \$		185,962	\$	196,970	\$	11,008
•				<u> </u>									11,000

The accompanying notes are an integral part of these financial statements.

ALL PROPRIETARY FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended March 31, 2004

OPERATING REVENUES:	
Charges for services Other	\$ 496,128 1,357
Total operating revenues	497,485
OPERATING EXPENSES:	
Personnel	7 200
Supplies	7,309 1,600
Repairs and maintenance	43,534
Utilities	2,117
Sewer treatment	206,643
Purchase of water	227,269
Other services and supplies	5,889
Depreciation	41,999
Total operating expenses before depreciation	536,360
Operating income (loss)	(38,875)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	5,811
Other revenue	1,500
Total non-operating revenues (expenses)	
Total non operating revenues (expenses)	7,311
Net income (loss)	(31,564)
Retained earnings, beginning of year	1,303,397
Retained earnings, end of year	\$ 1,271,833

ALL PROPRIETARY FUND TYPES

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2004

	_ <u>E</u>	nterprise
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net operating loss Non-cash items included in net operating income:	\$	(38,875)
Depreciation Decrease (increase) in current assets:		41,999
Accounts receivable Increase (decrease) in current liabilities:		9,709
Accounts payable		(1,319)
Net cash provided from operating activities		11,514
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:		
Other revenue		1,500
Net cash provided (used) from non-capital and related financing activities		1,500
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received		5,811
Net cash provided from investing activities		5,811
Net increase (decrease) in cash and cash equivalents		18,825
Cash and cash equivalents, beginning of year		566,502
Cash and cash equivalents, end of year	\$	585,327

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Cottrellville conform to generally accepted accounting principles as applicable to governmental units.

THE REPORTING ENTITY:

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units, if any. The Township has no component units and accordingly, the Township has not consolidated any entities into its general purpose financial statements.

BASIS OF PRESENTATION:

The accounts of the Township are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, retained earnings, revenues, and expenditures, or expenses, as appropriate. The various funds are grouped as follows in the financial statements.

Governmental Funds:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions of administrative action.

Proprietary Funds:

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

Fiduciary Funds - These funds are used to account for assets held as an agent for others.

Account Group:

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

BASIS OF ACCOUNTING:

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. The government considers revenues as available if they are collected within 60 days after year end. Significant revenues susceptible to accrual include taxpayer-assessed income, state and federal sources, and intergovernmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

The modified accrual basis of accounting is followed for all funds except the enterprise funds (Sewer and Water) which use the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable, and expenditures are recognized in the year in which the liability is incurred.

BUDGETS AND BUDGETARY ACCOUNTING:

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted by a majority vote of the Township Board.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
- 7. The adopted budgets are used as a management control device during the year for all budgetary funds.
- 8. Budget appropriations lapse at the end of each fiscal year.
- 9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

CASH AND CASH EQUIVALENTS AND INVESTMENTS:

Consist of demand deposits, savings accounts, certificates of deposits, and other investments, if any, with a maturity date of purchase of ninety days or less. Investments are stated at fair value.

RECEIVABLES:

Receivables have been recognized for all significant amounts due the Township. Valuation reserves have not been provided in that collection thereof is not considered doubtful.

FIXED ASSETS:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the Township are excluded from the General Fixed Asset Account Group. No depreciation has been provided on general fixed assets.

Fixed assets are stated at historical cost or estimated historical cost if actual is not available. Donated fixed assets are valued at their fair market value on the date donated.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Sewer System 10 to 50 years Water System 50 years

PROPERTY TAXES:

Property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 and are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and St. Clair County.

Real property taxes not collected as of March 1 are turned over to St. Clair County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer. The assessed taxable value of real and personal property located in the Township at December 31, 2002 totaled \$108,376,495 representing 50% of estimated current value. The Township tax levy for that year was based on a millage rate of .7365 for general operating purposes.

LONG-TERM DEBT:

Long-term liabilities to be funded by governmental funds, if any, are reported in the General Long-Term Debt Account Group. Long-term debt obligations to be funded by proprietary funds are recorded as a liability in the respective fund.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

FUND EQUITY:

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represents the net assets that have been legally identified for specific purposes.

ENCUMBRANCES:

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

COMPENSATED ABSENCES:

Employees are not allowed to accumulate vacation and sick pay and therefore, no amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

TOTAL - MEMORANDUM ONLY:

The general purpose financial statements present total columns for the year ended March 31, 2004, which aggregate the columnar statements by fund type and account group. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 20:

In accordance with GASB Statement 20, the Township has elected not to apply the FASB statements issued after November 30, 1989 to its financial statements.

FUTURE CHANGES IN ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This new reporting standard will impact the Township's revenue and expenditure recognition and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Township is required to implement the new reporting model for the fiscal year ending March 31, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 2: DEPOSITS AND INVESTMENTS

The Township's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

	Cash and Cash Equivalents	Inve	stments	Total	
Deposits - Bank Investments held by:	\$ 2,033,948	\$	-	\$ 84,240	\$ 2,118,188
Banks	50,945	····		 	50,945
	\$ 2,084,893	\$	-	\$ 84,240	\$ 2,169,133

DEPOSITS:

The carrying amount of the Township's deposits with financial institutions was \$2,169,133 and the bank balance was \$2,149,904. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by t	he
Township in its name Uncollateralized and uninsured	\$ 400,000 1,749,904
Total bank balance	\$ 2,149,904

INVESTMENTS:

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Township's name.

		Risk Category		Fair Value _ Carrying
	1	2	3	Amount
Investments not subject to categorization: Standard Federal Bank - Public Funds Investment Trust				\$ 50,945
				y 30,943
Total investments				\$ 50,945

Deposits and investments have been made in accordance with statutory authority.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 3: FIXED ASSETS

A summary of changes in the general fixed assets group of accounts follows:

	-	Balance 4/1/03	A	dditions	Dele	etions	Balance 3/31/04
Land and land improvements Building Equipment	\$	99,459 56,487 44,820	\$	33,343 52,602	\$	- - -	\$ 132,802 56,487 97,422
Totals	\$	200,766	\$	85,945	\$	-	\$ 286,711

The summary of proprietary fund type property, plant and equipment at March 31, 2004 follows:

	ENTERPRISE						
	Sewer	Water	Total				
Property, plant and equipment Less accumulated depreciation	\$ 1,426,000 897,769	\$ 673,636 144,567	\$ 2,099,636 1,042,336				
Net	\$ 528,231	\$ 529,069	\$ 1,057,300				

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable		
General	\$ 1,54 <u>3</u>	Current tax collection	\$	1.543	

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 5: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise funds which provide sewer and water services. Segment information for the year ended March 31, 2004 is as follows:

	Sewer Fund	Water Fund		
Operating revenues Depreciation depletion and amortization Operating income (loss) Operating grants, entitlements, and shared revenues Operating interfund transfers in (out) Tax revenues Net income (loss) Current capital contributions Property, plant, and equipment additions (deletions) Net working capital Total assets Bonds and other long-term debt outstanding Amounts of this debt payable solely from operating revenues Total equity	\$ 228,635 28,526 (19,424) - - (14,107) - 624,006 1,173,203 - 1,152,237	\$ 268,850 13,473 (19,451) - (17,457) - 13,425 587,318		
		•		

NOTE 6: SEWER FUND RESTRICTED ASSETS AND RESERVED RETAINED EARNINGS, DESIGNATED FUND BALANCE

The sewer ordinance of Cottrellville Township requires that, annually, if excess is available after expenses of the Sewer Fund, \$6,480 be placed in an asset replacement fund. The cumulative amount transferred for replacement as of March 31, 2004 totaled \$84,240.

The General Fund has a fund balance of \$10,668 designated for Construction Code activities (see Note #12).

NOTE 7: SEWER TREATMENT COST

The Township of Cottrellville has entered into an agreement with the City of Marine City to receive sanitary sewer treatment services from the City. Under this agreement, the Township pays commodity charges for services which includes capital charges allocated to the Township.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 8: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan permits employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

NOTE 9: POST-EMPLOYMENT BENEFITS

The Township provides no postemployment benefits to retirees.

NOTE 10: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the Township incurred no material expenditures in certain budgetary funds which were in excess of the amounts appropriated.

NOTES TO FINANCIAL STATEMENTS, continued

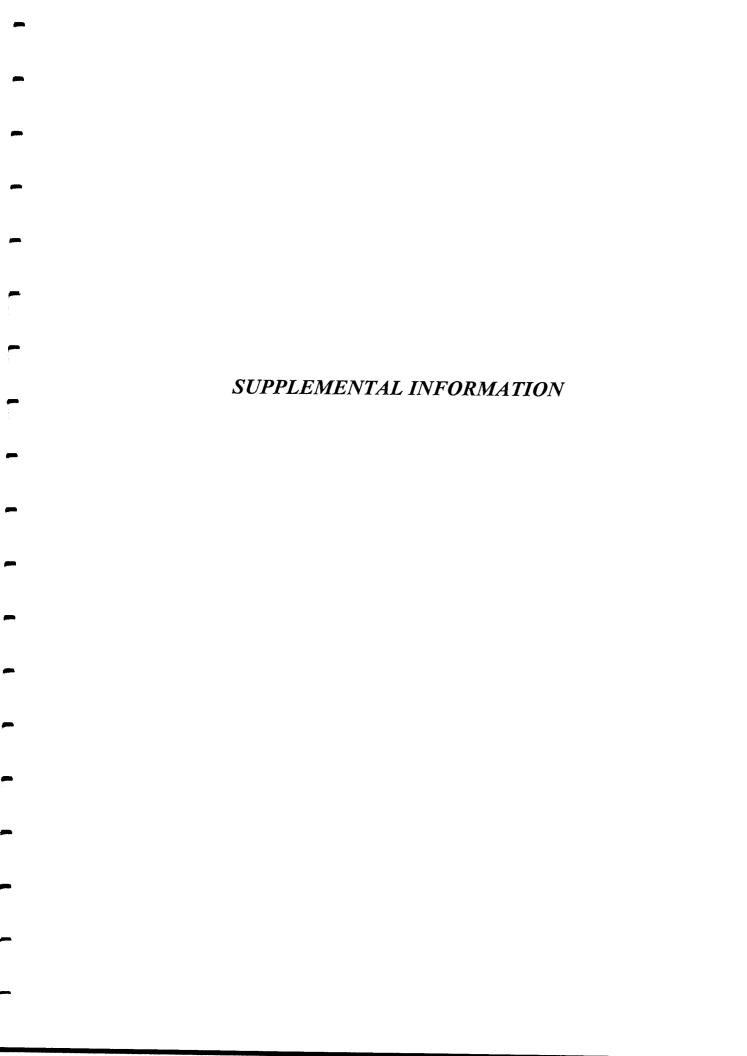
March 31, 2004

NOTE 12: STATE CONSTRUCTION CODE ACT

The Township oversees building construction, in accordance with the state's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Surplus at March 31, 2003		\$ 11,816
Current year building permit revenue		36,030
Related expenditures: Direct costs Estimated indirect costs	\$ 29,972 7,206	
Total construction code expenditures		 37,178
Cumulative surplus at March 31, 2004		\$ 10,668

In accordance with the law, \$10,668 of fund balance in the General Fund has been designated for future construction code activities.



GENERAL FUND

STATEMENT OF REVENUES

For the Year Ended March 31, 2004

REVENUES:

Current Taxes:	
Property taxes	\$ 83,916
Trailer taxes	1,534
	85,450
Licenses and Permits:	
Non-business license and permits	36,030
CATV franchise fees	7,938
	43,968
State Grants:	
Liquor license fees	1,617
Sales tax	259,501
	261,118
Charges for Services:	
Copies	213
Zoning/Planning/Land Division fees	2,230
Charges for services – other	460
	2,903
Fines and Forfeits:	
Fines and forfeitures – other	25
	25
Interest and Rents:	
Interest	16,543
Rents	300
	16,843
Other Revenue:	
Special assessments–multi-year Reimbursements	3,587
Refunds and rebates	9,481
Miscellaneous/other	2,610
171150011dixCOd3/OthOr	(692)
	14,986
Total revenues	\$ 425,293

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended March 31, 2004

EXPENDITURES:

General	Government:

Board:	
Personnel	\$ 2,750
Supplies	50
Contracted services	2,091
Mileage/auto	157
Dues and memberships	2,065
Education and training	608
Printing and publications	729
Other	1,318
Supervisor:	9,768
Personnel	12.502
Supplies	12,503
Telephone	92
Mileage/auto	313
Dues and memberships	555
Education and training	95
Other	624
Other	176
	14,358
Clerk:	
Personnel	35,185
Supplies	5,766
Contracted services	2,363
Mileage/auto	311
Dues and memberships	85
Education and training	782
Printing and publications	427
Other	91
	45,010
Audit:	
Contracted services	7,724
	7,724
Board of Review:	1,7,21
Personnel	1,350
Mileage/auto	86
Education and training	280
Printing and publications	396
Other	45
	2,157

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

General Government, continued:

Treasurer:	
Personnel	26,568
Supplies	2,402
Contracted services	1,641
Mileage/auto	356
Education and training	604
Printing and publications	20
	31,591
Assessor:	51,551
Personnel	15,287
Supplies	2,502
Contracted services	1,419
Elections:	19,208
Supplies	00
Contracted services	99 259
Contracted Sci vices	
	358
Building and Grounds:	
Personnel	180
Supplies	1,565
Contracted services	2,316
Telephone	2,980
Mileage/auto	221
Dues and memberships	25
Utilities	2,016
Repairs and maintenance	3,260
Other	87
	12,650
Total general government	142,824

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Public Safety:	
Police:	
Personnel	1,427
Mileage/auto	216
Other	61
	1,704
Fire:	1,701
Contracted services	68,200
	68,200
Protective Inspections and Regulations:	
Personnel	25,267
Contracted services	167
Telephone	240
Other	1,303
	26,977
Total public safety	96,881
Public Works:	
Drains–Public Benefit:	
Contracted services	4,667
Highways and Chapta.	4,667
Highways and Streets: Supplies	10.002
Contracted services	10,093
Contracted services	16,215
	26,308
Street Lighting:	
Utilities	3,292
	3,292
Sanitation:	
Contracted services	325
	325
Total public works	34,592
	The state of the s

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Community and Economic Development:	
Planning:	
Personnel	3,290
Printing and publications Other	548
Other	9,063
7	12,901
Zoning: Personnel	150
Other	150 134
	284
Other Community and Economic Development:	
Other	1,500
	1,500
Tatal assumption and assumption to the state of the state	·
Total community and economic development	14,685
Recreation and Culture:	
Recreation/Parks:	
Contracted services	20
	20
Total recreation and culture	20
Other:	
Insurance Bonds and Payroll Taxes:	
Insurance	14,239
	14,239
Retirement:	
Fringe benefits	3,211
D 11.00	3,211
Payroll Taxes: Fringe benefits	21.450
Thinge benefits	21,450
	21,450
Total other	38,900

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Capital Outlay:	
General Government:	
Board	180
Supervisor	2,162
Clerk	285
Treasurer	2,362
Building and grounds	5,680
	10,669
Public Safety:	
Protective inspection and regulation	2,995
	2,995
Total capital outlay	13,664
Total expenditures	341,566
OTHER FINANCING USES:	
Transfers to other funds	60,683
Total other financing uses	60,683
Total expenditures and other financing uses	\$ 402.249

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	 Park	(Garbage	Cherry Beach ighting	provement Revolving	 Totals
ASSETS:						
Cash and cash equivalents Special assessments receivable	\$ 484	\$	82,346 13,440	\$ 1,251 48	\$ 100,000	\$ 184,081 13,488
Total assets	\$ 484	\$	95,786	\$ 1,299	\$ 100,000	\$ 197,569
LIABILITIES AND FUND BALANCE:						
Liabilities: Accounts payable	\$ 484	\$	_	\$ 115	\$ -	\$ 599
Total liabilities	 484		-	115	-	 599
Fund Balance: Unreserved	_		95,786	1,184	100,000	196,970
Total fund balance	 -		95,786	 1,184	 100,000	 196,970
Total liabilities and fund balance	\$ 484	\$	95,786	\$ 1,299	\$ 100,000	\$ 197,569

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2004

	Par	k	(Garbage	 Cherry Beach Lighting	ıprovement Revolving	 Totals
REVENUES:							
Intergovernmental: Contributions from local units Charges for services	\$ 14,	,532	\$	- 134,714	\$ - 1,379	\$ -	\$ 14,532 136,093
Interest and rentals Other revenue	14,	.936		233	9	-	242 14,936
Total revenues	29,	468		134,947	 1,388	-	 165,803
EXPENDITURES:							
Public works Recreation and culture Capital outlay		- 269 882		111,672 - -	1,380	-	113,052 11,269 78,882
Total expenditures	90,	151		111,672	1,380	 	203,203
Excess of revenues over (under) expenditures	(60,	683)		23,275	8	 •	(37,400)
OTHER FINANCING SOURCES (USES):							
Transfer from other funds	60,	683				-	 60,683
Total other financing sources (uses)	60,0	683		-	-	_	60,683
Excess of revenues and other financing sources over (under) expenditures and other financing uses		-		23,275	8	-	23,283
Fund balances, beginning of year		-		72,511	1,176	100,000	173,687
Fund balances, end of year	\$	_	\$	95,786	\$ 1,184	\$ 100,000	\$ 196,970

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	Sewer Fund		Water Fund	······································	Total	
ASSETS:						
Current Assets: Cash and cash equivalents Accounts receivable	\$ 503,9 56,7		(2,894) 61,143	\$	501,087 117,894	
Total current assets	560,7	32	58,249		618,981	
Restricted Assets: Cash and cash equivalents	84,2	40	-		84,240	
Total restricted assets	84,2	40	-		84,240	
Fixed Assets: Property, plant & equipment, at cost Less accumulated depreciation Net fixed assets Total assets	$ \begin{array}{r} 1,426,00 \\ $	59) 31	673,636 (144,567) 529,069 587,318	(2,099,636 1,042,336) 1,057,300 1,760,521	
LIABILITIES AND FUND EQUITY:	***************************************					
Current Liabilities: Accounts payable Total current liabilities	\$ 20,96 20,96		44,824 44,824	\$	65,790 65,790	
Fund Equity: Contributed capital Retained Earnings:	191,14		231,750		422,898	
Reserved Unreserved	84,24 876,84		310,744		84,240 1,187,593	
Total fund equity	1,152,23	7	542,494		1,694,731	
Total liabilities and fund equity	\$ 1,173,20	3 \$	587,318	\$	1,760,521	

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

For the Year Ended March 31, 2004

	Sewer Fund		Water Fund		T-4:1
OPERATING REVENUES:		<i>-</i> Гипа	 гипа		Total
Charges for services Other	\$	228,635	\$ 267,493 1,357	\$	496,128 1,357
Total operating revenues		228,635	268,850		497,485
OPERATING EXPENSES:					
Personnel Supplies Repairs and maintenance Utilities Sewage treatment		3,593 771 5;200 2,117 206,643	3,716 829 38,334		7,309 1,600 43,534 2,117
Purchase of water Other services and supplies Depreciation		1,209 28,526	227,269 4,680 13,473		206,643 227,269 5,889 41,999
Total operating expenses		248,059	 288,301		536,360
Operating income (loss)		(19,424)	(19,451)		(38,875)
NON-OPERATING REVENUES (EXPENSES): Interest income Other income Total non-operating revenues (expenses)		5,317	 494 1,500 1,994	·	5,811 1,500 7,311
Net income (loss)		(14,107)	(17,457)		(31,564)
Retained earnings, beginning of year		975,196	 328,201	1	1,303,397
Retained earnings, end of year	\$	961,089	\$ 310,744	\$ 1	1,271,833

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2004

		Sewer Fund		Water Fund		Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net operating loss Adjustments to reconcile operating income to net cash provided by operating activities:	\$	(19,424)	\$	(19,451)	\$	(38,875)
Depreciation Decrease (increase) in current assets:		28,526		13,473		41,999
Accounts receivable Increase (decrease) in liabilities:		9,528		181		9,709
Accounts payable		10,256		(11,575)		(1,319)
Net cash provided (used) by operating activities		28,886		(17,372)		11,514
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES: Other revenue		-		1,500		1,500
Net cash provided from non-capital and related financing activities		-		1,500	·	1,500
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received		5,317		494		5,811
Net cash provided from investing activities		5,317		494		5,811
Net increase (decrease) in cash and cash equivalents		34,203		(15,378)		18,825
Cash and cash equivalents, beginning of year		554,018		12,484		566,502
Cash and cash equivalents, end of year	\$	588,221	\$	(2,894)	\$	585,327

AGENCY FUND

BALANCE SHEET

March 31, 2004

ASSETS:	Current Tax Collection
Cash in bank	\$ 1,543
Total assets	\$ 1,543
LIABILITIES:	
Due to other funds	\$ 1,543
Total liabilities	\$ 1,543

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2004

CURRENT TAX COLLECTION FUND

	 alance -31-03	Additions	Deductions	Balance 3-31-04	
ASSETS: Cash in bank	\$ 3,535	\$ 2,562,721	\$ 2,564,713	\$	1,543
Total assets	\$ 3,535	\$ 2,562,721	\$ 2,564,713	\$	1,543
LIABILITIES:					
Due to other funds Due to other units	\$ 3,535	\$ 193,114 2,369,607	\$ 195,106 2,369,607	\$	1,543
Total liabilities	\$ 3,535	\$ 2,562,721	\$ 2,564,713	\$	1,543



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the Township Board Township of Cottrellville St. Clair County, Michigan

We have audited the general purpose financial statements of the Township of Cottrellville, St. Clair County, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated July 13, 2004. As part of our audit, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the general purpose financial statements and to assist us in planning and performing this examination of the general purpose financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing general purpose financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily require estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of general purpose financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our audit of the general purpose financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the Township's system of internal accounting control for the year ended March 31, 2004, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Such study and evaluation disclosed conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances as follows:

CASH ACCOUNT RECONCILIATIONS

During our audit we found that the cash account balances according to the Clerk's general ledger are not being agreed and reconciled to the Treasurer's cash balances at the end of each month.

In order to insure the accuracy of the Clerk's financial reports it is highly recommended and necessary for the reconciliation to be completed at the end of each month.

In this connection we recommend that the Treasurer's department provide, to the Clerk's department, certain cash account detail reports and summary reports in a format that will enable the Clerk's department to complete the reconciliation analysis.

CASH INVESTMENTS

The Township has deposited a substantial portion of its cash in one local bank. The deposits there far exceed the maximum FDIC coverage of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. We suggest the Township diversify its deposits as soon as possible in order to obtain more FDIC coverage and reduce risk.

The foregoing conditions were considered in determining the nature, timing, and extent of audit tests to be applied in our audit of the general purpose financial statements, and this report of such conditions does not modify our report dated July 13, 2004, on such general purpose financial statements.

If we can be of any further assistance to you, please do not hesitate to contact us.

We express our appreciation for the courtesies and cooperation extended to us while conducting the audit.

Berthiaume & Company Certified Public Accountants

Borthaume of Co

July 13, 2004

